



CONSUMER CHALLENGE BOARD (CCB)

CHALLENGE LOG VERSION 5 – 15/04/2019

Challenge Log No	Area	CCB Challenge	Response and Follow Up	Status
Comments on HAL's Work				
1	Quality of HAL's consumer engagement strategy	<p>The CCB role is:</p> <ul style="list-style-type: none"> to critique and scrutinise HAL's consumer engagement, and to comment on the degree to which that engagement is driving HAL's business planning and the extent to which the "golden thread" of consumer engagement and insight is reflected in the content of the business plan. <p>In previous updates of this Challenge Log, the CCB had noted and welcomed the publication of the Consumer Engagement Strategy, and the progress made in terms of increasing awareness and use across the business. We discern some loss of momentum now, however – not in terms of individual work packages, which are being pursued with vigour, but more in terms of overall co-ordination and consolidation, and how that engagement is driving overall business planning.</p> <p>It is not clear to the CCB if, and how, the over-arching, integrated strategy, rather than the component parts, is delivering its purpose and what it set out to achieve, and in line also with the good practice principles on consumer engagement. The CCB has previously requested a report on the overall progress of the Consumer Engagement Strategy and, with seven months to go until the publication of the Initial Business Plan, we are now seeking this assurance on the strategic outcomes of delivery in addition to the regular series of reports on the individual work package inputs. The CCB would welcome a narrative report on this topic.</p> <p>In this context The CCB welcomes HAL's appointment of Customer Director, Jason Knight This is something CCB has been encouraging, and</p>	<p>The 'CCB Challenge' for this entry had been previously focused on the strategy document and was rated as green. Therefore, a continuing amber rating is incorrect. A change to amber implies backward progress and is not appropriate as there is limited comparability with the previous log entry.</p>	<p>Amber ↓</p>

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		we have met Jason and look forward to working closely with him.		
2	Quality of HAL's consumer engagement driving master-planning and Expansion plans	<p>The CCB has been asked to scrutinise HAL's consumer engagement in respect of Expansion, and specifically to report on how consumer engagement is driving HAL's Expansion masterplan.</p> <p>The iterative process of masterplan development has made it difficult for the CCB to carry this out. The CCB welcomed and reviewed HAL's "Expansion Consumer Benefit Report". However, the Preferred Master Plan Assembly which this report is based had not yet, at the time of this log, been furnished to the CCB.</p> <p>A few overarching comments can already be made, however. When the masterplanning process began, HAL's Consumer Engagement Strategy had not been developed, and the process of masterplanning appears to, at that stage, have been based on general strategic principles, rather than driven specifically by a planned and systematic programme of consumer engagement. The strategic principles were then informed by an initial synthesis of historical consumer research (KPMG May 2018) to develop evaluation success criteria. Since then HAL has formulated its Consumer Engagement Strategy, stepped up its consumer engagement in a variety of topics and channels, and completed a comprehensive 2-phase synthesis of historical and contemporaneous consumer engagement (Blue Marble 2018-2019). The Blue Marble synthesis confirmed that to date there has been no consumer engagement on Expansion per se, or the timing, components, or passenger charge costs thereof.</p> <p>In the last 6 months HAL has been able to check masterplanning options back against a more detailed, recent and comprehensive set of evaluation success criteria. This improved "checking against", however, is done</p>	<p>The preferred masterplan was shared on 29 April formally. Although it may not have been available at the time of the first draft of this document, it was shared in advance of the publication date.</p> <p>The Arrivals journey has been captured in detail as part of the evaluation criteria and these were shown to the CCB in the June 2019 meeting.</p> <p>Heathrow acknowledges that consumer engagement on passengers requiring support is a gap in our knowledge that we are in the process of filling. The findings of which will inform later stages of airport design and operations.</p> <p>We dispute the assertion that we haven't carried out specific engagement on expansion per se or that this conclusion is an output of the Blue Marble synthesis. Whilst we acknowledge further work needs to be carried out we have carried out a number of expansion specific</p>	Amber

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		<p>through analysis dominated by planning, community and engineering considerations. This approach is consistent with the previous (but now changing) mindset of regulatory compliance, rather than HAL’s planning being driven from the outset by consumer needs.</p> <p>That said, on the basis of what can be seen so far, there do not appear to be elements in the masterplan which are contraindicated by consumer engagement.</p> <p>Based on the gaps revealed by the Blue Marble synthesis, HAL have now shared their future plans for consumer engagement around masterplanning. While more can be done, CCB welcomes these plans as evidence of a consumer-driven approach as more plan detail is developed.</p> <p>During the past year external stakeholders other than consumers have raised an “affordability challenge”. There is no visible consumer source for this “affordability challenge”. Instead, HAL now appears to be making trade-offs between the “affordability challenge” and features which consumers find desirable. The CCB cannot see evidence of consumer engagement around these trade-offs, and/or whether consumers would accept a certain increase in the airport charge in return for features they find valuable. Much research undertaken by HAL demonstrates that consumers look at the total journey cost in judging value</p> <p>The Expansion Consumer Benefits Report dwells on the benefits of specific elements to be constructed. It is more muted on the major benefits to consumers of increasing unconstrained capacity. This remains of primary importance as HAL proceeds to consider the pace of facilities construction. As the CCB understands it, the planned speed of development of terminal and other infrastructure to enable capacity expansion may be constrained by the “affordability challenge”. It is not apparent to the CCB that any consumer engagement has taken place</p>	<p>engagement packages, including work with the Horizon community. It is also the case that all of our engagement work packages will go into informing long term planning at Heathrow, including both more business as usual operations and expansion.</p>	

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		<p>around the speed of additional capacity coming on stream. It may be that consumers would countenance a certain increase in passenger charge, if that resulted in more quickly delivering benefits of increased choice of flights and carriers, and a resulting reduction in fares.</p> <p>Finally, the consumer benefit report appears to pay more attention to the requirements of departing and transferring passengers than it does to those arriving. It is also rather silent on the ways in which the particular needs of passengers requiring support (including but not limited to PRMs) have been instrumental in driving the masterplan.</p>		
3a	WTP Outcome/ Aggregate Benefit Study	<p>The CCB has questioned the level of the WTP valuations, requesting clarifications and external validations, whereas HAL have consistently accepted the results.</p> <p>The results suggest that consumers are willing to pay a significantly higher passenger charge to enjoy marginally enhanced service levels. This appears to contradict the “affordability challenge” and is at odds with observations on the direction of price in the wider consumer air travel sector. Neither HAL or Systra has provided any commentary that adequately provides a persuasive explanation for this variance.</p> <p>On the 18/3/19 the CCB received a debrief on the Aggregate Benefit Study (ABS). The results of the ABS broadly agree with those from the previous WTP study. The recommendation from Systra is that the original WTP valuations do not require any further scaling (beyond the 66 percentile). However, and importantly, HAL can point to the WTP and Aggregate Benefit Study as two independent robust consumer engagement projects that produce results that are aligned.</p>	<p>We are pleased that the CCB acknowledge that the WTP and aggregate benefit study were two independent robust consumer engagement projects that produce results that are aligned.</p>	<p>Green →</p>

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3c	Cost Benefit Analysis	<p>We would now expect HAL to use the WTP valuations outlined above as the basis of the Cost Benefit Analysis, rather than subjective valuations based on either the “affordability challenge”, or any other non-consumer-based sources.</p> <p>The CCB is concerned that HAL has still not been able to share with it any principles, framework or timelines associated with the Cost Benefit Analysis (CBA).</p> <p>The CCB welcomes HAL’s commitment to include broader aspects of consumer engagement in the design and execution of the CBA. We would expect to see a clear line of sight with the Consumer Engagement Strategy and full range of consumer insights gained.</p>		Amber New
4	Appropriate reflection of vulnerable consumers in HAL’s business planning	<p>The CCB aims to ensure effective consumer engagement underpins HAL’s business planning process and considers the needs of a wide range of consumers who are potentially vulnerable when using the airport. This includes those with hidden disabilities as well as Passengers with Reduced Mobility (PRMs), and other groups of consumers that struggle to access or obtain a satisfactory level of service at the airport. HAL continues to progress its research and engagement on vulnerability and we note the recent update on research to understand the needs of passengers who need support.</p> <p>While we’ve maintained this a green RAG rating, we are concerned that there is still a lack of clarity on masterplanning and business planning. This means that the CCB is unable to assess how this research and engagement is being used to inform HAL’s H7 Business plan and plans for Expansion.</p>	Heathrow acknowledges that consumer engagement on passengers requiring support in regard to the detailed design of our expansion plans is a gap in our knowledge that we are in the process of filling. The findings of which will inform later stages of airport design and operations.	Green →

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5	Quality of consumer engagement and research to inform surface access plans	<p>The CCB welcomes the significant step-up in HAL’s consumer engagement regarding surface access. In recent months HAL has undertaken consumer research on: current parking offer and wayfinding, Western Rail Link, choice of surface access modes to/from the airport, coach transport, communications strategy, and emissions and vehicle access charges. In addition, HAL has reported to the CCB how consumer research and engagement on surface access has informed its Expansion masterplanning. The CCB looks forward to the synthesis of consumer research with respect to surface access to date that HAL will be presenting next month.</p> <p>Much of this research is driven by Expansion: HAL is looking at how it can meet the public transport take-up and air quality obligations stipulated in the June 2018 National Policy Statement (NPS) with existing and new transport services and practices. In the CCB’s view, HAL is not taking the consumer perspective as the starting point. The consumer journey is door-to-door, involving limited information, multiple modes on and off-airport, dispersed geographies, and uncertain timing and cost. Considerations such as whether travel is singly or as a group, whether costs are borne by the consumer or the employer, and familiarity with the destination come into play.</p> <p>The CCB would like to see HAL develop an informed and evidence-driven Consumer Surface Access Strategy which:</p> <ul style="list-style-type: none"> • Brings together these various efforts into a comprehensive approach driven by the consumer perspective, overcoming fragmentation by mode and provider • Tracks a “golden thread” showing where consumer views are (or are not) addressed in surface access planning, in real time rather than 	<p>We acknowledge the CCB’s concern regarding focus on the NPS targets, however it’s necessary that these are forefront of Heathrow’s consideration, as failing to deliver these will mean Heathrow cannot deliver the main benefit for consumers, an expanded airport that will give them more choice of destinations and airlines with the service levels they expect. However, we do agree that consumer engagement is vital and have, as acknowledged by the CCB, stepped this up.</p> <p>Our surface access strategy is currently being developed. We will consult on our strategy in June and take into account any comments from both consumers and the local community ahead of submitting a finalised strategy for DCO. The June consultation, which also involves specific consultation with consumers, will help to shape the final strategy to ensure it is informed by consumer engagement.</p>	<p>Red →</p>

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		<p>after planning has been completed</p> <ul style="list-style-type: none"> Use consumer engagement results to help shape projects headed by other bodies (as HAL is doing now for Western Rail Link). 		
6	Quality of consumer research and engagement to inform consumer priorities on the arrivals experience	<p>Previously, the CCB have expressed concern that HAL was not undertaking any dedicated consumer research to understand how consumers would like to see things improved in respect of the arrivals experience. We have encouraged HAL to be more proactive in determining priorities for action it can take to improve the experience as part of the H7 process in addition to any improvements which might arise as a result of working in conjunction with Border Force.</p> <p>While the CCB was encouraged to note that Border Force are to use the Horizon community to undertake some consumer insight work, there is still a gap in HALs research programme to consider what additional action might be appropriate for the airport to take to improve the arrivals experience.</p>	Heathrow agreed to review if further consumer engagement was required to understand arriving passenger needs. A consolidation of arrivals insights was presented in April and recommendations for further consumer research where gaps have been identified.	Red →
7	Airport operational resilience	<p>As required by the CAA, HAL's resilience plans are produced in collaboration with airlines and other organisations operating at the airport to ensure passenger inconvenience is minimised during disruptions.</p> <p>The CCB is seeking to understand what resilience related consumer engagement is carried out in the development of HAL's business plans.</p> <p>This also pertains to the proposed interim (2 runway) Expansion from 480k to 505k ATMs, around which there does not appear to have been any consumer engagement to date.</p> <p>The CCB has not seen any substantive evidence to date that consumer engagement has been a central part of HAL's approach. The CCB did receive a presentation on resilience that focused around the existing</p>	We accept that we need to update our consumer knowledge in this space and will be engaging the CCB in May on planned consumer engagement.	Red →

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		<p>airport resilience plan. This document was dated 2015 and the CCB saw little evidence of consumer engagement in its development or its content. The CCB also received a presentation on how consumer benefit valuations will be used alongside the resilience work to assess the additional ATMs.</p> <p>In March, HAL informed the CCB that the production of a consumer engagement brief is imminent and the CCB looks forward to the opportunity to review this.</p> <p>HAL has launched a consultation on airspace as a part of the broader Expansion planning. The CCB expects consumer engagement and insight to be a key part of its airspace strategy and is concerned that there is no plan for HAL to undertake this.</p>		
10	Quality of engagement from airlines in respect of consumer engagement	The CCB recognises the positive evolving relationship between the airlines and HAL but note the input from airlines could be more timely to improve the development of HAL's research and engagement programme.	We agree the airline's input could definitely be timelier, however, and much more importantly, it could be more focused on jointly collaborating on understanding passengers needs and less on regulatory process and marking Heathrow homework.	Amber →
11	Engagement with future consumers	<p>HAL should ensure that research and engagement is proactive and seeks to determine consumers' needs, wants and priorities. This should include the views of those consumers who do not currently use the airport, and the needs of future consumers. For example, the increase in capacity post-Expansion should economically result in a reduction in overall ticket prices, as a result of increased competition. In turn, this may attract new and different consumers including a greater number of more budget-minded to use Heathrow.</p> <p>Expansion will also likely open-up new destinations and HAL should</p>	This is a fair challenge and Heathrow needs to demonstrate to the CCB, the level of knowledge that we have of potential future consumers in the UK as well as worldwide markets through our on-going brand tracking study and other standalone studies about how we can win market share from other airports. We are confident in our evidence base	Amber →

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		<p>consider whether consumers from these geographies are likely to have different requirements from the current destination mix.</p> <p>The CCB would expect HAL to engage more widely with bodies representing for instance the different demographic, economic and geographic characteristics of future consumers to understand their requirements.</p> <p>The CCB received a presentation on econometric modelling of future pax numbers but this is not sufficient to address our concerns as it does not encompass meaningful work on the future profile of consumers passing through their airport and what they would need and want.</p> <p>The CCB has only seen HAL’s plans to engage with young consumers (Generation Z project) and is concerned about the absence of any strategy to gain consumer insights across the range of demographics and backgrounds that will encompass the consumers who will use the airport in the future.</p> <p>The CCB commented on two iterations of HAL’s Generation Z brief and indicated to HAL that it remained cautious about the clarity of the research objectives. Having now seen the proposal by HAL’s preferred supplier, the CCB still has a continuing concern that the overarching objectives of the proposal as written are not geared towards understanding the aspirations of the broad range of future consumers who might use Heathrow, but are very limited to young people who currently use Heathrow. In particular, the hypotheses put forward suggest that airlines and destinations are unlikely to change which is fundamentally at variance with the concept of Expansion and attracting future consumers who may come from different demographic backgrounds.</p>		

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		<ul style="list-style-type: none"> So far HAL lacks quantitative consumer research on the level of charge existing and future consumers would be willing to pay set against the context of existing and future surface access options and costs. <p>We are also concerned that the June consultation may indicate a range of possible access charges which have not been assessed against robust research on what consumers would be willing to pay and HAL’s transport impact assessment models. The CCB encourages HAL to undertake robust, contextualised, quantitative research on consumers’ willingness to pay Vehicle Access Charges as part of their airport transport choices and link the results to the impact assessment model before any proposals are set out in the June consultation document. We would also encourage HAL to consider how any Vehicle Access Charge revenues would be used by HAL, as consumers indicated that how funds would be used, such as for public transport, congestion, or environmental improvements, was a significant factor in the acceptability of charges.</p>		

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Appendix 1: Closed Challenges

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3a	Quality of Willingness To Pay (WTP) Survey	<p>HAL's major qualitative and quantitative WTP engagement early in its Consumer Engagement Strategy has progressed well. CCB commented on the quality of the research design, influencing a Passenger Prioritisation Survey to identify the 15 attributes to be ranked in the WTP.</p> <p>CCB would expect that the research programme and WTP support the development of the business plan, and can assist in identifying potential cost increases and reductions to assist in the prioritisation process.</p>		Blue
8a	Structure of HAL working with the CCB	CCB welcomes HAL's implementation of a more consistent and timely approach to CCB meetings and improvement in its tracking, sharing and management of information and feedback.		Blue
8b	Clarifying respective role in the constructive engagement process	The role of the CCB in the Constructive Engagement phase has still to be finalised. The CCB is concerned that there could be alteration of the outcomes from consumer engagement that the CCB reviewed in the initial business plan. HAL and CAA are open to understanding how CCB can have an enduring role to drive a culture of consumer engagement.	Ongoing dialogue with CAA established. CCB to propose how best it can support the Constructive Engagement process.	Blue
9	Consumer input post business planning	CCB has identified a potential risk that consumer input does not extend beyond agreement of the business plan and price control with the CAA and, as a result, proposals can be changed without consumer input.	CCB plans to clarify this risk with CAA. CAA has not yet defined a policy, however, is aware of this risk and open to reviewing the future role of CCB.	Blue